

**CAMBRIDGE MUTUAL FIRE INS. CO.**

ANDOVER, MASSACHUSETTS 01810

DECLARATIONS PAGE

20160106-99:00:03:92

RENEWAL DECLARATION * * EFFECTIVE 03/12/16

RENEWAL OF POLICY SBP 1790892

| POLICY NUMBER | EFFECTIVE | EXPIRATION | AGENT # | AGENT |
|--|-----------------|-----------------|----------------|--|
| SBP 1790892 | 03/12/16 | 03/12/17 | 0006966 | TELEPHONE: (212) 897-6912 |
| NAMED INSURED AND ADDRESS | | | | |
| READE STREET TENANTS CORP 74-76 READE ST NEW YORK NY 10007-1845 | | | | DEMETRIOU GENERAL AGENCY INC 111 BROADWAY SUITE 1702 NEW YORK NY 10006-1915 |

THE NAMED INSURED IS CO-OP.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

LIABILITY AND MEDICAL PAYMENTS

EXCEPT FOR FIRE LEGAL LIABILITY, EACH PAID CLAIM FOR THE FOLLOWING COVERAGES REDUCES THE AMOUNT OF INSURANCE WE PROVIDE DURING THE APPLICABLE ANNUAL PERIOD. PLEASE REFER TO PARAGRAPH D.4. OF THE BUSINESSOWNERS LIABILITY COVERAGE FORM.

| | |
|--|-------------------------------------|
| GENERAL AGGREGATE (EXCEPT PRODUCTS-COMPLETED OPERATIONS) | \$2,000,000 |
| PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT | \$1,000,000 |
| EACH OCCURRENCE LIMIT | \$1,000,000 |
| PERSONAL AND ADVERTISING INJURY OCCURRENCE LIMIT | \$1,000,000 |
| MEDICAL EXPENSES | \$ 5,000 PER PERSON |
| FIRE LEGAL LIABILITY | \$ 50,000 ANY ONE FIRE OR EXPLOSION |

PROPERTY

COVERAGE AT THE BELOW DESCRIBED LOCATIONS IS PROVIDED ONLY WHERE A LIMIT OF INSURANCE IS SHOWN OR A PREMIUM IS STATED. BUSINESS INCOME AND EXTRA EXPENSE INCLUDED. PLEASE REFER TO PROPERTY COVERAGE FORM.

LOC 01: 74-76 READE ST NEW YORK NY 10007.

BUSINESS OF NAMED INSURED TO WHICH THIS INSURANCE APPLIES:

CO-OP APARTMENTS WITH MERC

COVERAGE:SPC, AIB=04%. RATE:BRK, T31, PC02, ACO.

DEDUCTIBLE: \$5,000

| | LIMIT OF INSURANCE | PREMIUMS |
|--|--------------------|----------|
| BUILDING | \$4,249,500 | \$5,001 |
| BUSINESS INCOME AND EXTRA EXPENSE: 12 MONTHS ACTUAL LOSS SUSTAINED | | |

CONTINUED ON NEXT PAGE

PLEASE NOTE :

ALL POLICY CHANGES SHOULD BE PROCESSED THROUGH YOUR AGENT.

LEGEND: ACO=CONDO APARTMENT, ACV=ACTUAL CASH VALUE BUILDING OPTION, AIB=AUTOMATIC INCREASE BUILDING, APT=APARTMENT, BO=BUILDING OFFICE, BR=BUILDING RATE NUMBER, BRK=BRICK, CO=CONTENTS OFFICE, CR=CONTENTS RATE NUMBER, DED=DEDUCTIBLE AMOUNT, FRM=FRAME, FRS=FIRE RESISTIVE, G=RATE GROUP, LOC=LOCATION, MNC=MASONRY NON-COMBUSTIBLE, NC=NON-COMBUSTIBLE, OCO=OFFICE CONDOMINIUM, PC=PROTECTION CLASS, SPC=SPECIAL POLICY, STD=STANDARD POLICY, T=TERMINAL

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ADDITIONAL COVERAGES - - - - -
 LOCATIONS WITH BLDG COVERAGE RECEIVE EXTERIOR BLDG GLASS-\$500 DEDUCTIBLE APPLIES

DIRECTORS & OFFICERS LIABILITY - FORM 4076
 COVERAGE APPLIES TO ALL LOCATIONS. \$407.00
 LIMIT OF LIABILITY \$3000000 EACH OCCURRENCE \$3000000 AGGREGATE.

EMPLOYEE DISHONESTY \$500 DEDUCTIBLE APPLIES
 COVERAGE APPLIES TO ALL LOCATIONS, \$289.00
 LIMIT OF LIABILITY - EACH OCCURRENCE \$ 100000,
 NUMBER OF EMPLOYEES IS 5.

ENHANCEMENT PLUS ENDORSEMENT - FORM 5043
 COVERAGE APPLIES TO LOCATION 1. \$165.00

HIRED CAR
 COVERAGE APPLIES TO ALL LOCATIONS. \$32.00

EQUIPMENT BREAKDOWN FORM 6001 \$500 DEDUCTIBLE APPLIES
 COVERAGE APPLIES TO LOCATION 1. \$400.00

NON-OWNED AUTO LIABILITY
 COVERAGE APPLIES TO ALL LOCATIONS. \$64.00

MISCELLANEOUS
 FULL NAMED MTG:JP MORGAN CHASE INC AS INVESTMENT ADVISOR FOR
 JP MORGAN STRUCTURED DEBT FUND MORTGAGE LLC AND/OR ITS
 SUCCESSORS AND ASSIGNS, 500 STANTON CHRISTIANA RD, NEWARK DE
 19713

PROTECTIVE SAFEGUARDS - FORM BP0430
 SYMBOL P1
 APPLIES TO LOCATION 01

TERRORISM RISK INSURANCE ACT PREMIUM WAIVED

FORMS AND ENDORSEMENTS- 5047 07/02, BP0006 01/97, BP0009 01/97, BP0115 02/05,

CONTINUED ON NEXT PAGE

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BUSINESSOWNERS

SBP 1790892-27-A



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BP1701 01/97, BP0430 01/96*, 5021 06/92, BP0002 12/99, BP0417 06/89,
 IL0183 03/95, H-924 01/97, 5038NY 07/97, 5041NY 04/03, BP0151 01/97,
 7003 01/08, BP0523 01/08, BP0514 01/03, BP0542 01/08, BP0515 01/08,
 970604 01/07, 970159 09/10, 7BP012 08/08, BP0564 01/07, 6031 10/13,
 ILP001 01/04, BP0412 01/87, 4076 08/91, 5043 07/01, BP0436 01/97, 6001NY 03/06,
 5011 06/91.

DESIGNATED PREMISES SCHEDULE FORM BP0412:

LOC 01
 74-76 READE ST
 NEW YORK NY 10007

EXCESS FORMS - BX-1-NY 11/90, BX0002 04/91, BX2222 11/90, BX0115 03/91,
 BX5049 11/15*.

LOC 01 MORTGAGEE
 JP MORGAN CHASE INC
 ISAOA SEE ATTCH MISC
 500 STANTON CHRISTIANA RD
 NEWARK DE 19713

TOTAL BASE PREMIUM LOC 01 \$5,001.00

| | | |
|----------------------------|-----------|------------|
| TOTAL BASE PREMIUM | - - - - - | \$5,001.00 |
| EXCESS LIABILITY | - - - - - | \$750.00 |
| NY FIRE FEE | - - - - - | \$44.43 |
| TOTAL ADDITIONAL COVERAGES | - - - - - | \$1,357.00 |
| TOTAL ANNUAL PREMIUM | - - - - - | \$7,152.43 |

POLICY PERIOD - 12:01 AM STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE.

----- 01/06/16
 AUTHORIZED SIGNATURE DATE

NOTICE: THIS POLICY CONTAINS THE DIRECTORS & OFFICERS LIABILITY ENDORSEMENT
 (4076) WHICH IS ON A CLAIMS-MADE BASIS. EXCEPT AS OTHERWISE SPECIFICALLY

CONTINUED ON NEXT PAGE

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PROVIDED HEREIN, COVERAGE APPLIES ONLY TO "WRONGFUL ACTS", AS HEREIN DEFINED, REPORTED TO US DURING THE POLICY PERIOD FOR WHICH CLAIMS ARE MADE DURING THE POLICY PERIOD. NO COVERAGE IS AFFORDED FOR ANY "WRONGFUL ACTS" WHICH TOOK PLACE PRIOR TO ANY RETROACTIVE DATE LISTED FOR THIS COVERAGE. COVERAGE UNDER THIS POLICY CEASES UPON THE TERMINATION OF THE POLICY, EXCEPT FOR THE AUTOMATIC EXTENDED REPORTING PERIOD COVERAGE.

DURING THE FIRST SEVERAL YEARS OF THE CLAIMS-MADE RELATIONSHIP, CLAIMS-MADE RATES ARE COMPARATIVELY LOWER THAN OCCURRENCE RATES. ANNUAL PREMIUM INCREASES, INDEPENDENT OF OVERALL RATE LEVEL INCREASES, CAN BE EXPECTED UNTIL THE CLAIMS-MADE RELATIONSHIP REACHED MATURITY.

ALSO, THE POLICY CONTAINS A 3 YEAR EXTENDED DISCOVERY PERIOD. POTENTIAL COVERAGE GAPS MAY ARISE UPON EXPIRATION OF THE EXTENDED DISCOVERY PERIOD.

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BUSINESSOWNERS EXCESS LIABILITY DECLARATION

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| SBU 179-08-92 | 03/12/16 | 03/12/17 | 0006966 | TELEPHONE: (212) 897-6912 |
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ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE CONTAINING ANY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME.

1. NAMED INSURED IS CO-OP
2. IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS IN THE POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THE POLICY.
3. LIMITS OF INSURANCE
 - \$2,000,000 GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS).
 - \$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGREGATE
 - \$2,000,000 EACH INCIDENT
4. RETAINED LIMITS
 - \$10,000 EACH INCIDENT - COVERAGE A
5. SCHEDULE OF UNDERLYING INSURANCE

| TYPE OF POL/COV | UNDERLYING INSURER, POL# & PERIOD | LIMITS OF LIABILITY |
|-----------------|-----------------------------------|--|
| BUSINESSOWNERS | CAMBRIDGE MUTUAL FIRE INS. CO. | \$1,000,000 EACH OCCURRENCE |
| LIABILITY | 81790892 | \$2,000,000 GEN. AGGREGATE |
| | FROM 3/12/16 TO 3/12/17 | (EXCEPT PRODUCTS-COMPLETED OPERATIONS) |

EXCESS FORMS - BX-1-NY 11/90, BX0002 04/91, BX2222 11/90, BX0115 03/91, BX5049 11/15*.

**CAMBRIDGE MUTUAL FIRE INS. CO.**

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- BOP WORK SHEET -

** ALL RATES AND PREMIUMS ARE DEVIATED **

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LOC #01: 74-76 READE ST NEW YORK NY 10007.

OCCUPANCY IS APARTMENT

LIABILITY LIMIT \$1,000,000

TERRITORY IS 31

PROTECTION CODE IS 02

SPRINKLER YES

TYPE OF CONSTRUCTION IS MASONRY

IRPM 1.100 X EXP. MOD. 1.000 = 1.100 MOD.

BUILDING RATE # 00 SPECIAL DEDUCTIBLE 5000

| BASE | LOAD | RATE | ACV | INF | BINC | RATE | LIAB | RATE | | | | | | | | |
|-------|------|------|-----|-------|------|-------|------|--------|---|------|---|-------|---|-------|---|-------|
| 0.120 | + | .042 | = | 0.162 | X | 1.000 | X | 0.9800 | X | 1.00 | = | 0.159 | + | 0.027 | = | 0.186 |

| RATE | LIMIT | PREM | DED | MOD | PREM | | | | | |
|-------|-------|----------|-----|---------|------|-------|---|-------|---|---------|
| 0.186 | X | 42495.00 | = | 7904.07 | X | 0.830 | X | 1.100 | = | 7216.40 |

| PREM | DUPC | PREM | COOP | PREM | LPC | PREMIUM | | | | | | |
|---------|------|-------|------|---------|-----|---------|---|---------|---|-------|---|--------|
| 7216.40 | X | 0.700 | = | 5051.48 | X | 1.000 | = | 5051.48 | X | 0.990 | = | \$5001 |

OPTIONAL COVERAGES SECTION

EMPLOYEE DISHONESTY LIMIT = 100000

FIXED RATE + CHARGE FOR OVER 5 EMPLOYEES

PREMIUM

263.00 + (20.00 X 000) = 000263 X 1.100 = \$289

NY FIRE FEE

PREMIUM

0.00625 X 7108.00 = \$44.43

DIRECTORS AND OFFICERS LIABILITY LIMIT \$3000000

UNITS PREM MOD PREMIUM

012 X 370 X 1.100 = \$407

NONOWNED AUTO LIABILITY

58 PREM X 1.100 MOD = \$64 PREMIUM

HIRED CAR LIABILITY

CONTINUED ON NEXT PAGE

BUSINESSOWNERS

SBP 179-08-92-A

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29 PREM X 1.100 MOD = \$32 PREMIUM

EXCESS LIABILITY

| | RATE | 2ND MIL | PREMIUM | MIN PREM APPLIES |
|-------------------------|------|---------|---------|------------------|
| (5001 X 0.040) + 100 = | | | \$300 | \$750 |

EQUIPMENT BREAKDOWN COVERAGE

BUILDING

RATE BASE PREM

0.080 X 5001 = \$400

BUSINESS OWNERS ENHANCEMENT PLUS ENDORSEMENT

RATE MOD PREMIUM

150 X 1.100 = \$165

*** TOTAL PREMIUM LOC 01 . . . \$7152.43

*** TOTAL POLICY PREMIUM . . . \$7152.43

**DIRECTORS & OFFICERS LIABILITY ENDORSEMENT
(Condominiums and Cooperative Apartments)**

Words and phrases that appear in quotation marks have special meaning. Refer to Section II - DEFINITIONS.

SECTION I - COVERAGES**A. INSURING AGREEMENTS**

1. We will pay those sums that the "Insured" becomes legally obligated to pay as damages, in excess of the "Insured's" retention, because of any civil claim first made against the "Insured" during the policy term, or during the Insured's Extended Discovery Period, arising out of any "Wrongful Act" committed during the policy term. No other obligation or liability to pay sums or perform acts or services is covered unless provided for under Supplementary Payments.
 - a. The most we will pay for damages is limited as described in Limits of Insurance above;
 - b. We may, at our discretion, investigate any "Wrongful Act" and settle any claim or "suit" that may result; and
 - c. Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgements or settlements to which this coverage applies.
2. This insurance applies to "Wrongful Acts" only if a claim for damages because of a "Wrongful Act" is first made against an "Insured" during the policy term or Insured's Extended Discovery Period.
 - a. A claim by a person or organization seeking damages will have been deemed to have been made when notice of such claim is received and recorded by the "Insured" or by us, whichever comes first.
 - b. All claims for damages because of "Wrongful Acts" arising from the same "Wrongful Act" will be deemed to have been made at the time the first of those claims is made against an "Insured".

B. EXCLUSIONS

This insurance does not apply to claims:

1. For libel or slander.
2. Arising under statutory or common law, relating to purchase, sale or disposition of securities.
3. For salary, compensation, or bonuses voted to any "Insured" by the Board of Directors of the "Named Insured."
4. For anything other than money damages.
5. Based on or attributed to any "Wrongful Act" in procuring, effecting, and maintaining insurance, or with respect to amount, form, conditions, or provisions of such insurance.
6. For damages payable in connection with any transaction of any "Insured" out of which any "Insured" shall have gained personal profit or advantage which is not shared equitably by the owners of the "Named Insured".
7. Due to or arising out of nuclear reaction, nuclear radiation, or radioactive contamination, or to any act or condition incidental to any of the foregoing.
8. This insurance does not apply to "Wrongful Acts" arising from dishonest, fraudulent, criminal, or malicious acts by any "Insured", whether acting alone or in collusion with others.
9. In any way connected with a violation of any civil rights law.
10. For any claims arising out of pollution or contamination.
11. For personal injury meaning:
 - (a) False arrest, detention or imprisonment, or malicious prosecution.
 - (b) Wrongful entry or eviction, or other invasion of the right of private occupancy.

12. For damages caused by or arising from operations (including construction, design, survey, and engineering services) performed by or on behalf of the builder, sponsor, or developer of the condominium designated in this coverage part.
13. Based on the failure of any "Insured" to enforce the rights of the "Named Insured" against the builder, sponsor or developer of the condominium designated in this coverage part.
14. Based upon or arising out of the "Insured's" activities in a fiduciary capacity as respects any employees benefit plan.
15. Made against us for any "Wrongful Act" by the "Insured" resulting from any self-insured retention, the "Named Insured's" by-laws or charter, or other insurance.

C. SUPPLEMENTARY PAYMENTS

1. We will have the rights and duty to defend any "suit", seeking damages alleging a "Wrongful Act" which is covered by this insurance. We will pay, with respect to any "suit" we defend:
 - a. All expenses we incur.
 - b. The cost of bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.
 - c. All reasonable expenses incurred by the "Insured" at our request to assist us in the investigation or defense of the claim or "suit".
 - d. All costs taxed against the "Insured" in the "suit".
 - e. All interest on the full amount of any judgement against the "Insured" that accrues after entry of the judgement and before we have paid, offered to pay, or deposited in court the part of the judgement that is within the applicable limit of insurance.
2. These payments will not reduce the limits of insurance.

SECTION II - DEFINITIONS

- A. "Aggregate Limit Each Policy Year" means the most we will pay for all "losses" arising out of all "Wrongful Acts" during the policy term.
- B. "Named Insured" means the organization named in the Declarations of this coverage part.
- C. "Insured" means all Directors and Officers of the "Named Insured", and committee members and employees acting on behalf of the Directors and Officers with respect to claims for which the "Named Insured" may be obligated to indemnify its Directors and Officers. The word "Insured" shall also include persons, their estates, guardians, or legal representatives who are no longer Directors and Officers of the "Named Insured" or committee members and employees acting on behalf of the Directors and Officers at the time of discovery of a "Wrongful Act" giving rise to a claim hereunder, but who were at the time when the "Wrongful Act" upon which a claim is based was committed.
- D. "Loss" means any amount which an "Insured" is legally obligated to pay or for which the "Named Insured" may be required or permitted by law to pay as indemnity to an "Insured", for a claim or claims made against the "Insured", individually or collectively, for which insurance is provided and shall include but be limited to damages, judgements, or settlements provided always, however, loss shall not include fines imposed by law.
- E. "Suit" means a civil proceeding in which damages because of "Wrongful Acts" to which this insurance applies are alleged. "Suit" includes an arbitration proceeding alleging such damages to which you must submit or submit with our consent.
- F. "Wrongful Act" means any negligent act, any error, omission or breach of duty of Directors or Officers of the "Named Insured" while acting in their capacity as such.

SECTION III - LIMIT OF INSURANCE

- A. The Limit of Insurance shown in the Declarations of this coverage part and the rules below fix the most we will pay regardless of the number of:
 1. "Insureds",
 2. Claims made or "suits" brought; or

3. Persons or organizations making claims or bringing "suits".
- B. The Limit of Insurance stated as applicable to each "Wrongful Act" is the most we will pay for all "loss" arising out of one "Wrongful Act".
- C. The Limit of Insurance stated as Aggregate Each Policy Year is, subject to paragraph B above, the most we will pay for all covered "loss" arising out of "Wrongful Act" during each annual period beginning with the coverage inception date of this coverage part.
- D. All "losses" arising out of the same act or acts of the Directors or Officers shall be considered as arising out of the one "Wrongful Act".
- E. We shall be liable to pay not more than 99.9% of "loss" in excess of a self insured retention of \$100 up to the Limits of Insurance stated in the Declarations, it being warranted that the remaining .1% of each and every loss shall be carried by the "Insured(s)" at their own risk uninsured.

SECTION IV - POLICY TERM

- A. The policy term shall be the twelve month period beginning with the coverage inception date shown in the Declarations of this coverage part. However, if this coverage part is attached to a policy effective prior to the coverage inception date of this coverage part, coverage hereunder will commence with the coverage effective date stated above and will terminate with the termination of the policy to which this coverage part is attached or after twelve consecutive months, whichever is less.
- B. This coverage part also applies to any "Wrongful Act" which occurred prior to the coverage inception date of this coverage part if claim is made or "suit" is brought during the term of this coverage part and providing:
 1. The "Insured" at the coverage inception date had no knowledge or could not reasonably foresee any circumstances which might result in a claim or "suit"; and
 2. There is no other insurance applicable to such "Wrongful Act".
- C. If we have continuously provided you with insurance under this coverage part for three or more years, the Aggregate Limit of Insurance for the Insured's Extended Discovery Period (Section VI) shall be equal to the "Aggregate Limit Each Policy Year" shown in the Declarations. If we have provided coverage under this coverage part for less than three consecutive years, the Aggregate Limit of Insurance for the Insured's Extended Discovery Period (Section VI) shall be the greater of:
 1. The amount of coverage remaining in Your "Aggregate Limit Each Policy Year"; or
 2. 50 percent of your "Aggregate Limit Each Policy Year".

SECTION V - CONDITIONS

- A. Bankruptcy or insolvency of the "Named Insured" shall not relieve us of our obligations under this coverage part.
- B. You must notify us as soon as practicable of any occurrence which may result in a claim. Notice of an occurrence is not notice of claim.
- C. If a claim is received by any "Insured" you must notify us as soon as practicable, immediately send us copies of demands, notices, summonses, or legal papers received in connection with the claim or "suit", cooperate with us in our investigation, settlement, or defense of the claim or suit, and assist us, upon request, in the enforcement of any rights against any person or organization which may be liable.
- D. All "Insureds" hereunder agree the "Named Insured" is authorized to act on behalf of all "Insureds" with respect to the settlement of claims, the giving and receiving of cancellation, receiving any returned premium that becomes payable under this coverage part, and the receipt of any payment which may be due.
- E. This coverage part is void if an "Insured" has concealed or misrepresented any material fact or circumstance concerning this insurance or subject thereof at or before the issuance of this coverage part as an inducement to such insurance.
- F. In the event the "Insured" elects not to appeal a judgement, we may elect to make such appeal at our expense and we will be liable for the taxable costs and disbursements and interest incidental thereto, but in no event shall our liability exceed the Limits of Insurance shown in the Declarations of this coverage part.
- G. Other Insurance

1. With respect to insurance under Section IV, Policy Term, paragraph B., and Section VI, Insured's Extended Discovery Period, this insurance shall be excess over any other valid and collectible insurance.
 2. With respect to all situations where an "Insured" has other insurance against "loss" covered by this insurance, we shall pay only proportion of such "loss" as the applicable limit of insurance of this coverage part bears to the total applicable Limit of Insurance of all valid and collectible insurance against such "loss".
- H. Notice to any agent or knowledge possessed by any agent or any other person shall not affect a waiver or change under this coverage part or stop us from asserting any right under the terms of this coverage part; nor shall the terms of this coverage part be waived or changed, except by endorsement to this coverage part.
- I. Failure to give any notice required to be given by this coverage part within the time prescribed herein shall not invalidate any claim made by the "Insured" or by any other claimant thereunder if it shall be shown not to have been reasonably possible to give such notice within the prescribed time and that notice was given as soon as was reasonably possible.
- J. The insolvency or bankruptcy of the "Insured", or the insolvency of his estate, shall not release the Company from the payment of damages for injury sustained or loss occasioned during the life of and within the coverage of this part.
- K. If judgement against the "Insured" or his personal representative in an action brought to recover damages for injury sustained or loss or damage occasioned during the life of this coverage part, shall remain unsatisfied at the expiration of thirty days from the serving of notice of entry of judgement upon the attorney for the "Insured", or upon the "Insured", and upon the Company, then an action may, except during a stay or limited stay of execution against the "Insured" on such judgement, be maintained against the Company under the terms of this coverage part for the amount of such judgement not exceeding the amount of the applicable limit of coverage under this coverage part.
- L. Transfer of Duties When a Limit of Insurance Is Used Up.
1. If we conclude that, based on "occurrences," offenses, claims or "suits" which have been reported to us and to which this insurance may apply, the:
 - a. General Aggregate Limit (other than the Products- Completed Operations Aggregate Limit);
 - b. Products-Completed Operations Aggregate Limit;
 - c. Personal and Advertising Injury Limit;
 - d. Each occurrence Limit; or
 - e. Fire Damage Limitis likely to be used up in the payment of judgements or settlements, we will notify the first Named Insured, in writing, to that effect.
 2. When a limit of insurance described in paragraph 1. above has actually been used up in the payment of judgements or settlements:
 - a. We will notify the first Named Insured, in writing, as soon as practicable, that:
 - (1) Such a limit has actually been used up; and
 - (2) Our duty to defend "suits" seeking damages subject to that limit has also ended.
 - b. We will initiate, and cooperate in, the transfer of control, to any appropriate insured, of all claims and "suits" seeking damages which are subject to that limit and which are reported to us before that limit is used up. That insured must cooperate in the transfer of control of said claims and "suits".

We agree to take such steps, as we deem appropriate, to avoid a default in, or continue the defense of, such "suits" until such transfer is completed, provided the appropriate insured is cooperating in completing such transfer.

We will take no action whatsoever with respect to any claim or "suit" seeking damages that would have been subject to that limit, had it not been used up, if the claim or "suit" is reported to us after that limit of insurance has been used up.
 - c. The first Named Insured, and any other insured involved in a "suit" seeking damages subject to that limit, must arrange for the defense of such "suit" within such time period as agreed to between the

appropriate insured and us. Absent any such agreement, arrangements for the defense of such "suit" must be made as soon as practicable.

3. The first Named Insured will reimburse us for expenses we incur in taking those steps we deem appropriate in accordance with paragraph 2.b. above.

The duty of the first Named Insured to reimburse us will begin on:

- a. The date on which the applicable limit of insurance is used up, if we sent notice in accordance with paragraph 1. above; or
 - b. The date on which we sent notice in accordance with paragraph 2.a. above, if we did not send notice in accordance with paragraph 1. above.
4. The exhaustion of any limit of insurance by the payments of judgements or settlements, and the resulting end of our duty to defend, will not be affected by our failure to comply with any of the provisions of this Condition.

SECTION VI - INSURED'S EXTENDED DISCOVERY PERIOD

- A. In the event this coverage part is subject to any of the following changes:

1. reduced limits of insurance;
2. restricted coverage provisions;
3. increased self-insured retention;
4. non-renewal; or
5. cancellation

then such insurance afforded prior to such change shall not apply to "Wrongful Acts" unless claim is made or "suit" is brought within three years of the effective date of such change.

- B. The Insured's Extended Discovery Period only applies to "Wrongful Act" occurring during the policy period and shall be excess over any other valid and collectible insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EMPLOYEE REDEFINED

This endorsement modifies insurance provided under the following:

STANDARD BUSINESSOWNERS POLICY
SPECIAL BUSINESSOWNERS POLICY

In consideration of the premium charged it is understood and agreed that under Employee Dishonesty, Section I - Optional Coverages "Employee" is defined to include any duly elected or appointed officer, director, trustee or property manager of the insured, whether or not compensated, while serving in such capacity during the policy period.

CLARIFYING ENDORSEMENT - BUSINESSOWNERS LIABILITY FORM

It is understood and agreed that Businessowners Liability Coverage Form **BP 00 06** is amended for clarification purposes under **B. EXCLUSIONS**, paragraph j:

B. EXCLUSIONS

- j. "Bodily injury", "property damage", "personal injury" or "advertising injury" due to or arising out of the rendering or failure to render any professional service by "an insured" or any person or organization acting on behalf of "an insured". This includes but is not limited to: -----

and under **C. WHO IS AN INSURED** paragraph 2.a.(2):

C. WHO IS AN INSURED

- 2. Each of the following is also an insured:

- a. -----

- (2) "Bodily injury" or "personal injury" due to or arising out of his or her providing or failing to provide professional care services; or

BUSINESSOWNERS EXTENSION ENDORSEMENT

This endorsement modifies insurance provided under the Businessowners Property Coverage Form. If there is other coverage under the Businessowners Property Coverage Form or any other endorsement not specified herein, the coverage under this endorsement will apply only to the covered loss in excess of the amount due from that other coverage.

1. Additional Coverages

a. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$5,000 for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

b. Fire Extinguisher Recharge Expense

We will pay the cost of recharging your fire extinguishing systems (including hydrostatic testing if needed) or replacing the fire extinguishers or fire extinguishing systems, whichever is less, because they are discharged as a result of fighting a fire on or within 100 feet of the described premises.

c. Money Orders And Counterfeit Paper Currency

We will pay for loss due to the good faith acceptance of:

- (1) Any U.S. or Canadian post office, express company, or national or state (or Canadian) chartered bank money order that is not paid upon presentation to the issuer; or
- (2) Counterfeit United States or Canadian paper currency;

in exchange for merchandise, "money" or services or as part of a normal business transaction.

The most we will pay for any loss under this Additional Coverage is \$1,500.

d. Forgery And Alteration

- (1) We will pay for loss resulting directly from forgery or alteration of, any check, draft, promissory note, bill of exchange or similar written promise of payment in

"money", that you or your agent has issued, or that was issued by someone who impersonates you or your agent.

- (2) If you are sued for refusing to pay the check, draft, promissory note, bill of exchange or similar written promise of payment in "money", on the basis that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur in that defense.

- (3) The most we will pay for any loss, including legal expenses, under this Additional Coverage is \$7,500.

e. Lock Replacement

You may extend the insurance provided by this policy to apply to the cost to repair or replace the door locks or tumblers of your described premises due to theft of your door keys.

The most we will pay under this Extension is \$1,500 in one occurrence.

2. Coverage Extensions

In addition to the Limits of Insurance, you may extend the insurance provided by this policy as provided below.

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises, unless a higher Limit of Insurance is shown in the Declarations.

a. Property At Newly Acquired Premises

- (1) You may extend the insurance that applies to Property to apply to that property at any premises you acquire.

The most we will pay for loss or damage under this Extension is \$150,000 for Business Personal Property and \$250,000 for Buildings at each premises.

- (2) Insurance under this Extension for each newly acquired premises will end when any of the following first occurs:

- (a) This policy expires;
- (b) 30 days expire after you acquire or begin construction at the new premises; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the premises.

b. Outdoor Property

You may extend the insurance provided by this policy to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants, including debris removal expense, caused by or resulting from any of the following causes of loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or
- (5) Aircraft.

The most we will pay for loss or damage under this Extension is \$10,000, but not more than \$1,000 for any one tree, shrub or plant.

c. Personal Effects

You may extend the insurance that applies to Business Personal Property to apply to personal effects owned by you, your officers, your partners or your employees. This extension does not apply to:

- (1) Tools or equipment used in your business; or
- (2) Loss or damage by theft.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises.

d. Valuable Papers And Records

- (1) You may extend the insurance that applies to Business Personal Property to apply to direct physical loss or damage to "valuable papers and records" that

you own, or that are in your care, custody or control caused by or resulting from a Covered Cause of Loss. This Coverage Extension includes the cost to research lost information on "valuable papers and records" for which duplicates do not exist.

- (2) This Coverage Extension does not apply to:

- (a) Property held as samples or for delivery after sale;
- (b) Property in storage away from the premises shown in the Declarations.

- (3) The most we will pay under this Coverage Extension for loss or damage to "valuable papers and records" in any one occurrence at the described premises is \$15,000, unless a higher Limit of Insurance for "valuable papers and records" is shown in the Declarations.

For "valuable papers and records" not at the described premises, the most we will pay is \$2,500.

- (4) Exclusions of the Property Coverage Form does not apply to this Coverage Extension except for Exclusions referenced as follows:

- (a) Governmental Action;
- (b) Nuclear Hazard;
- (c) War And Military
- (d) Dishonesty;
- (e) False Pretense;
- (f) The Accounts Receivable and "Valuable Papers And Records" Exclusions; and
- (g) We will not pay for loss or damage caused by or resulting from any of the following i through iii. But if an excluded cause of loss that is listed in i. through iii results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

i. Weather Conditions

Weather conditions. But this exclusion only applies if weather conditions contribute

in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.

ii. Acts Or Decisions

Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

iii. Negligent Work

Faulty, inadequate or defective:

(i) Planning, zoning, development, surveying, siting;

(ii) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(iii) Materials used in repair, construction, renovation or remodeling; or

(iv) Maintenance;

of part or all of any property on or off the described premises.

e. Accounts Receivable

(1) You may extend the insurance that applies to Business Personal Property to apply to accounts receivable. We will pay:

(a) All amounts due from your customers that you are unable to collect;

(b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;

(c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and

(d) Other reasonable expenses that you incur to re-establish your records of accounts receivable;

(2) The most we will pay under this Coverage Extension for loss or damage in any one occurrence at the described premises is \$15,000, unless a higher Limit of Insurance for accounts receivable is shown in the Declarations.

For accounts receivable not at the described premises, the most we will pay is \$2,500.

(3) Section B. Exclusions of the Property Coverage Form does not apply to this Coverage Extension except for Exclusions referenced as follows:

(a) Governmental Action;

(b) Nuclear Hazard;

(c) War And Military Action;

(d) Dishonesty;

(e) False Pretense;

(f) The Accounts Receivable and "Valuable Papers And Records" Exclusions; and

(g) Paragraph d.(4)(g) of this endorsement.

EXTENSION/ENHANCEMENT DEDUCTIBLE CLARIFICATION

In the event of loss under Form 5038, 5039 or 5043, it is understood and agreed that a loss applicable to either form will be reduced by the amount of the deductible under the primary coverage when the primary coverage is applicable. Under Form 5038, no deductible applies to:

- a.** Fire Department Service Charge
- b.** Fire Extinguisher Recharge Expense
- c.** Loss Adjustment Expenses
- d.** Lock Replacement

Under Form 5039 or 5043, regardless of the amount of the policy deductible, the most we will deduct from any loss or damage under all of the following coverages in any one occurrence is \$500:

- a.** Money and Securities
- b.** Outdoor Signs
- c.** Employee Dishonesty (form 5043 only)

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BUSINESSOWNERS ENHANCEMENT PLUS ENDORSEMENT

In consideration of the premium charged this endorsement modifies insurance provided under the Businessowners Property Coverage Form. If there is other coverage under the Businessowners Property Coverage Form or any other endorsement not specified herein, the coverage under this endorsement will apply only to the covered loss in excess of the amount due from that other coverage.

I. MONEY AND SECURITIES

- A. We will pay for loss of "money" and "securities" used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:

- (1) Theft, meaning any act of stealing;
- (2) Disappearance; or
- (3) Destruction.

- B. In addition to the Limitations and Exclusions applicable to property coverage, we will not pay for loss:

- (1) Resulting from accounting or arithmetical errors or omissions;
- (2) Due to the giving or surrendering of property in any exchange or purchase; or
- (3) Of property contained in any "money"-operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.

- C. The most we will pay for loss in any one occurrence is:

- (1) \$10,000 for Inside the Premises for "money" and "securities" while:
 - (a) In or on the described premises; or
 - (b) Within a bank or savings institution; and
- (2) \$5,000 for Outside the Premises for "money" and "securities" while anywhere else.

- D. All loss:

- (1) Caused by one or more persons; or
- (2) Involving a single act or series of related acts;

is considered one occurrence.

- E. You must keep records of all "money" and "securities" so we can verify the amount of any loss or damage.

II. OUTDOOR SIGNS

- A. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:

- (1) Owned by you; or
- (2) Owned by others but in your care, custody or control.

- B. We will not pay for loss or damage caused by or resulting from:

- (1) Wear and tear;
- (2) Hidden or latent defect;
- (3) Rust;
- (4) Corrosion; or
- (5) Mechanical breakdown.

- C. The most we will pay for loss or damage in any one occurrence is \$2,500.

III. BROAD FORM WATER DAMAGE

- A. The following are added to COVERED CAUSES OF LOSS in the Businessowners Property Coverage Form:

1. **Broad Form Water Damage**, meaning loss or damage to building caused by:

- a. Water which backs up through sewers or drains;
- b. Water below the surface of the ground including water that exerts pressure on or flows, seeps or leaks into a building, foundation or other opening.

- B. The LIMITS OF INSURANCE SECTION is replaced by the following:

- a. The most we will pay for loss or damage in any one occurrence is \$10,000.

- b. The Limit of Insurance that applies to coverage under this endorsement also applies to the Business Income and Extra Expense Additional Coverages, but is not in addition to the Limit of Insurance in (a) above.

IV. PERSONAL PROPERTY OFF PREMISES

- A. You may extend the insurance that applies to Business Personal Property to apply to covered Business Personal Property, other than "money" and "securities", "valuable papers and records" or accounts receivable, while it is in the course of transit or temporarily at a premises you do not own, lease or operate. The most we will pay for loss or damage under this Extension is \$5,000.

V. POWER OUTAGE-SPOILAGE

- A. Perishable stock is covered for loss due to **Power Outage**, meaning change in temperature or humidity resulting from complete or partial interruption of electrical power, either on or off the described premises, due to conditions beyond your control.

1. "Perishable Stock" means property:

- a. Maintained under controlled temperature or humidity conditions for preservation;
- b. Susceptible to loss or damage if the controlled temperature or humidity conditions change;
- c. Owned by you and used in your business; or
- d. Owned by others and in your care, custody or control.

Property described by d. above is not covered for more than the amount for which you are legally liable, plus the cost of labor, materials or services furnished or arranged by you on that property.

2. Limits of Insurance

- a. The most we will pay for loss or damage in any one occurrence is \$10,000.
- b. The Limit of Insurance that applies to coverage under this endorsement also applies to the Business Income and Extra Expense Additional Coverages, but is not in addition to the Limit of Insurance in (a) above.

VI. ORDINANCE OR LAW

- A. We will not pay under this endorsement for the costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

B. Coverage

1. Coverage 1 - Coverage for Loss to the Undamaged Portion of the Building

If a Covered Cause of Loss occurs to covered Building property, we will pay under Coverage 1 for the loss in value of the undamaged portion of the building as a consequence of enforcement of any ordinance or law that:

- a. Requires the demolition of parts of the same property not damaged by a Covered Cause of Loss;
- b. Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
- c. Is in force at the time of loss.

Coverage 1 is included within the Limit of Insurance shown in the Declarations as applicable to the covered Building property. Coverage 1 does not increase the Limit of Insurance.

2. Coverage 2 - Demolition Cost Coverage

If a Covered Cause of Loss occurs to covered Building property, we will pay the cost to demolish and remove debris of undamaged parts of the property caused by enforcement of building, zoning or land use ordinance or law.

The Property Loss Conditions paragraph determining the value of Covered Property does not apply to Demolition Cost Coverage.

3. Coverage 3 - Increased Cost of Construction Coverage

If a Covered Cause of Loss occurs to the covered Building property, we will pay for the increased cost to:

- a. Repair or reconstruct damaged portions of that Building property; and/or

- b. Reconstruct or remodel undamaged portions of that Building property, whether or not demolition is required;

when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law.

However:

- a. This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.
- b. We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

The Property Loss Conditions paragraph determining the value of Covered Property does not apply to the Increased Cost of Construction Coverage.

C. Loss Payment

The most we will pay, for the total of all covered losses for Coverage for Loss to the Undamaged Portion of the Building, Demolition Cost and Increased Cost of Construction, is \$100,000. The following loss payment provisions apply:

1. When Coverage 1 applies, loss to the building, including loss in value of the undamaged portion of the building due to enforcement of an ordinance or law, will be determined as follows:
 - a. If the property is repaired or replaced on the same or another premises, we will not pay more than the lesser of:
 - (1) The amount you actually spend to repair, rebuild or reconstruct the building, but not for more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
 - (2) \$100,000.
 - b. If the property is **not** repaired or replaced, we will not pay more than the lesser of:

- (1) The actual cash value of the building at the time of loss; or
- (2) \$100,000.

2. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described premises.

3. With respect to the Increased Cost of Construction:

- a. We will not pay for the increased cost of construction:

- (1) Until the property is actually repaired or replaced, at the same or another premises; and
- (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

- b. If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the same premises.

- (3) If the ordinance or law requires relocation to another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the new premises.

- D. The terms of this endorsement apply separately to each building to which this endorsement applies.

- E. Under this endorsement, we will not pay for loss due to any ordinance or law that:

1. You were required to comply with before the loss, even if the building was undamaged; and
2. You failed to comply with.

VII. FINE ARTS

- A. This policy is extended to cover fine arts which are the property of the insured or the property of others in the custody or control of the insured while on exhibition or otherwise within the limits of the Continental United

States and Canada. Fine Arts are defined as paintings, etchings, pictures, tapestries, art glass windows, and other bona fide works of art (such as valuable rugs, statuary, marbles, bronzes, antique furniture, rare books, antique silver, manuscripts, porcelains, rare glass and bric-a-brac) of rarity, historical value or artistic merit. The most we will pay for loss in any one occurrence is \$5,000.

B. The following special conditions apply:

1. **Packing.** It is agreed by the insured that the property insured hereunder be packed and unpacked by competent packers.
2. **Valuation.** The Company shall not be liable for more than the original cost of the property to you or the most current appraisal values which amounts are agreed to be the value of said articles for the purpose of this insurance.
3. **Pair and Set.** In the event of the total loss of any article or articles which are a part of a set, the Company agrees to pay the insured the full amount of the value of such set, and the insured agrees to surrender the remaining article or articles of the set to the Company.
4. **Other Insurance.** If at the time of happening of any loss there is any other

similar or identical insurance on the property insured hereunder, whether prior or subsequent in date or simultaneous with this insurance, then the Company shall not be liable under this endorsement for a greater proportion of any loss or damage to the property insured hereunder than the amount hereby insured shall bear to the whole insurance effected, whether valid or not.

5. **Exhibition.** It is agreed that this endorsement does not cover the property on fair grounds or on the premises of any National or International Exposition.

VIII. EMPLOYEE DISHONESTY

Under part (G), **Optional Coverages**, of the BP 00 02, 4,(c) is amended to read:

- c. The most we will pay for loss or damage for any one occurrence is the limit of insurance shown on the Declarations or no more than \$10,000.

IX. TENANT FIRE LEGAL LIABILITY

With respect to the coverage provided under this endorsement, it is understood that the limit of insurance for Tenant Fire Legal Liability is increased \$250,000 above the limit shown in the declarations.

BUSINESSOWNERS
5047 (07/02)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NEW YORK CHANGES - EXCLUSION - LIABILITY FOR HAZARDS OF LEAD

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS LIABILITY COVERAGE FORM

The following is added to Paragraph **B.1., Exclusions:**

This insurance does not apply to:

"Bodily Injury" caused in whole or in part, either directly or indirectly, by lead paint, the residue of lead paint, or lead contamination, or arising out of or incidental to the inhalation, ingestion, exposure, use, handling or contact with lead paint, the residue of lead paint, or lead contamination.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EQUIPMENT BREAKDOWN COVERAGE

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM
BUSINESSOWNERS STANDARD PROPERTY COVERAGE FORM

A. The following is added to Paragraph A.3. Covered Causes of Loss:

Additional Coverage - Equipment Breakdown

The term Covered Cause of Loss includes the Additional Coverage Equipment Breakdown as described and limited below.

1. We will pay for direct physical damage to Covered Property that is the direct result of an "accident." As used in this Additional Coverage, "accident" means a fortuitous event that causes direct physical damage to "covered equipment." The event must be one of the following:
 - a. mechanical breakdown, including rupture or bursting caused by centrifugal force;
 - b. artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires;
 - c. explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
 - d. loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
 - e. loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.
2. The following coverages also apply to the direct result of an "accident." These coverages do not provide additional amounts of insurance.
 - a. **Expediting Expenses**

With respect to your damaged Covered Property, we will pay up to \$50,000, the reasonable extra cost to:

 - (1) make temporary repairs; and
 - (2) expedite permanent repairs or permanent replacement.

- b. **Hazardous Substances**

We will pay for the additional cost to repair or replace Covered Property because of contamination by a "hazardous substance." This includes the additional expenses to clean up or dispose of such property.

This does not include contamination of "perishable goods" by refrigerant, including but not limited to ammonia, which is addressed in 2.c.(1)(b) below. As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no "hazardous substance" been involved.

The most we will pay for loss, damage or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, is \$50,000.

c. Spoilage

(1) We will pay:

- (a)** for physical damage to "perishable goods" due to spoilage;
 - (b)** for physical damage to "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia;
 - (c)** any necessary expenses you incur to reduce the amount of loss under this coverage to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- (2)** If you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "accident," less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Loss Payment condition.

The most we will pay for loss, damage or expense under this coverage is \$25,000.

d. Computer Equipment

We will pay for loss, damage or expense caused by or resulting from an "accident" to "computers."

The most we will pay for loss or damage under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, is \$50,000. Computers used primarily to control or operate "covered equipment" are not subject to this limit.

e. Data Restoration

We will pay for your reasonable and necessary cost to research, replace and restore the lost information on Electronic Media and Records.

The most we will pay for loss or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, is \$50,000.

f. Service Interruption

- (1)** Any insurance provided for Business Income, Extra Expense or Spoilage is extended to apply to your loss, damage or expense caused by an "accident" to equipment that is owned by a utility, landlord or other supplier with whom you have a contract to supply you with any of the following services: electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, internet access, telecommunications services, wide area networks or data transmission. The equipment must meet the definition of "covered equipment" except that it is not Covered Property.
- (2)** Service Interruption coverage will not apply unless the failure or disruption of service exceeds 24 hours immediately following the "accident."
- (3)** The most we will pay for loss, damage or expense under this coverage is the limit that applies to Business Income, Extra Expense or Spoilage.

B. The following is added to Paragraph B. Exclusions:

Equipment Breakdown Exclusions

All exclusions in the Businessowners Special Property Coverage Form and Businessowners Standard Property Coverage Form apply except as modified below and to the extent that coverage is specifically provided by this Additional Coverage Equipment Breakdown.

1. The exclusions are modified as follows:

a. The following is added to Exclusion B.1.g:

However, if electrical "covered equipment" requires drying out because of Water as described in g.(1) through g.(3) above, we will pay for the direct expenses of such drying out subject to the applicable Limit of Insurance and deductible for Building or Business Personal Property, whichever applies.

- b. As respects this endorsement only, the last paragraph of Exclusion B.2.k. in the Businessowners Special Property Coverage Form is deleted and replaced with the following:

But if an excluded cause of loss that is listed in B.2.k.(1) through B.2.k.(7) results in an "accident," we will pay for the loss, damage or expense caused by that "accident."

2. We will not pay under this endorsement for loss, damage or expense caused by or resulting from:

- a. your failure to use all reasonable means to protect Covered Property from damage following an "accident";
- b. any defect, programming error, programming limitation, computer virus, malicious code, loss of data, loss of access, loss of use, loss of functionality or other condition within or involving Electronic Media and Records of any kind. But if an "accident" results, we will pay for the resulting loss, damage or expense;
- c. any of the following tests:
- a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an electrical insulation breakdown test of any type of electrical equipment; or
- d. if the Businessowners Standard Property Coverage Form applies, depletion, deterioration, corrosion, erosion, wear and tear, or other gradually developing conditions. But if loss or damage from an "accident" results, we will pay for that resulting loss or damage.

3. With respect to Service Interruption coverage, we will also not pay for: an "accident" caused by or resulting from: fire; lightning; windstorm or hail; explosion (except as specifically provided in A.1.c. above); smoke; aircraft or vehicles; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing; collapse; flood or earth movement.

4. With respect to Business Income, Extra Expense and Service Interruption coverages, we will also not pay for:

- a. loss caused by your failure to use due diligence and dispatch and all reasonable means to resume business; or
- b. any increase in loss resulting from an agreement between you and your customer or supplier.

5. We will not pay under this endorsement for any loss or damage to animals.

C. CONDITIONS

The following conditions are in addition to the Conditions in the Businessowners Special Property Coverage Form and Businessowners Standard Property Coverage Form.

1. Suspension

Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment." This can be done by mailing or delivering a written notice of suspension to:

- a. your last known address; or
- b. the address where the "covered equipment" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment." If we suspend your insurance, you will get a pro rata refund of premium for that "covered

equipment" for the period of suspension. But the suspension will be effective even if we have not yet made or offered a refund.

2. Jurisdictional Inspections

If any property that is "covered equipment" under this endorsement requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf. We do not warrant that conditions are safe or healthful.

3. Environmental, Safety and Efficiency Improvements

If "covered equipment" requires replacement due to an "accident," we will pay your additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced.

However, we will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality. This condition does not increase any of the applicable limits. This condition does not apply to any property to which Actual Cash Value applies.

D. DEDUCTIBLE

As respects this endorsement only, Paragraph D. Deductibles is deleted and replaced with the following:

We will not pay for loss or damage resulting from any one "accident" until the amount of loss or damage exceeds \$500. We will then pay the amount of loss or damage in excess of the deductible subject to the applicable Limit of Insurance.

E. The following are added to H. Property Definitions:

1. "Computer equipment" means Covered Property that is electronic computer or other data processing equipment, including peripherals used in conjunction with such equipment, and Electronic Media and Records as defined in Property Loss Conditions, Limitation-Electronic Media and Records.
2. "Covered equipment"
 - a. "Covered equipment" means Covered Property:
 - (1) that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
 - (2) which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.
 - b. None of the following is "covered equipment":
 - (1) structure, foundation, cabinet, compartment or air supported structure or building;
 - (2) insulating or refractory material;
 - (3) sewer piping, underground vessels or piping, or piping forming a part of a sprinkler system;
 - (4) water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
 - (5) "vehicle" or any equipment mounted on a "vehicle";
 - (6) satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
 - (7) dragline, excavation or construction equipment; or
 - (8) equipment manufactured by you for sale.
3. "Hazardous substance" means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.

4. "One accident" means: If an initial "accident" causes other "accidents," all will be considered "one accident." All "accidents" that are the result of the same event will be considered "one accident."
5. "Perishable goods" means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.
6. "Vehicle" means, as respects this endorsement only, any machine or apparatus that is used for transportation or moves under its own power. "Vehicle" includes, but is not limited to, car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester.

However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power source will not be considered a "vehicle."

The most we will pay for loss, damage or expense under this endorsement arising from any "one accident" is the applicable Limit of Insurance in the Declarations. Coverage provided under this endorsement does not provide an additional amount of insurance.

NOTICE TO POLICYHOLDERS

POTENTIAL RESTRICTIONS OF TERRORISM COVERAGE

This Notice has been prepared in conjunction with the **POTENTIAL** implementation of changes related to coverage of terrorism under your policy.

The Terrorism Risk Insurance Act established a program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. That Program is subject to a termination date of December 31, 2014 unless extended by the federal government. If the federal Program terminates, or is extended with certain changes prior to or during the term of your policy, then the treatment of terrorism under your policy will change. This Notice is being provided to you for the purpose of summarizing potential impact on your coverage. The summary is a brief synopsis of significant exclusionary provisions and limitations.

This Notice does **not** form a part of your insurance contract. The Notice is designed to alert you to coverage restrictions and to other provisions in certain terrorism endorsement(s) in this policy. If there is any conflict between this Notice and the policy (including its endorsements), the provisions of the policy (including its endorsements) apply.

Carefully read your policy, including the endorsements attached to your policy.

YOUR POLICY DURING TENURE OF THE TERRORISM RISK INSURANCE PROGRAM AS THAT PROGRAM EXISTS PURSUANT TO THE TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2007:

Except as described below, this policy does not contain a terrorism exclusion. However, the policy contains an endorsement under which coverage for "certified acts of terrorism" (which is more fully defined in the endorsement but involves an act of terrorism certified by the federal government to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act) is subject to a limit on our liability pursuant to the federal Terrorism Risk Insurance Act. Further, the absence of a terrorism exclusion does not create coverage for any loss, injury or damage that would otherwise be excluded under the policy, such as property losses excluded by the nuclear hazard or war exclusions or liability losses excluded by the war liability exclusion.

POTENTIAL CHANGE TO YOUR POLICY:

Endorsement BP 05 64 is attached to your policy. Its provisions become applicable to your policy only if certain events (one or more of them) occur. Those events include the following:

- If the federal Terrorism Risk Insurance Program (TRIP) terminates with respect to the type of insurance provided under this policy. (TRIP is/was scheduled to terminate at the end of December 31, 2014 unless extended by the federal government.); or
- If TRIP is extended with changes that redefine terrorism, and we are not required to make such revised coverage available to you; or
- If TRIP is extended with changes that make insurance coverage for terrorism subject to provisions or requirements that differ from those that apply to other events or occurrences under this policy, and we are not required to make such revised coverage available to you; or
- If TRIP is extended with changes that increase insurers' statutory percentage deductible under TRIP for terrorism losses, or decrease the federal government's statutory percentage share in potential terrorism losses, and we are not required to make terrorism coverage available to you. Our deductible is 20% of the total of our previous year's direct earned premiums. The government's share is 85% of the terrorism losses paid by us above the deductible.

Endorsement BP 05 64 treats terrorism as follows:

- Coverage for loss or damage under property coverage or injury or damage under liability coverage arising out of a terrorism incident is excluded only if:

- The total of all insured damage to all types of property (including business interruption losses sustained by owners or occupants of damaged property), from the incident, exceeds \$25 million. The \$25 million property damage threshold is based on losses sustained by all persons and entities who are affected by an incident of terrorism, and who are insured for the damage, or who would be insured but for a terrorism exclusion; or
- Fifty or more persons sustain death or serious injury; or

(To determine whether the threshold for property damage (\$25 million) or persons injured (fifty) is exceeded, multiple incidents of terrorism which occur within a seventy-two hour period and appear to be linked together or have a related purpose or common leadership behind them shall be considered to be one incident of terrorism.)

- The terrorism event involves nuclear materials or results in nuclear reaction or radiation or radioactive contamination; or
 - The terrorism event involves the release of radioactive material, and it appears that one purpose of the terrorism was to release such material; or
 - The terrorism event is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 - The terrorism event involves the release of pathogenic or poisonous biological or chemical materials, and it appears that one purpose of the terrorism was to release such materials.
- The Exception Covering Certain Fire Losses applies only in certain states. If the exception applies in any states under your policy, that is indicated in the Schedule of the terrorism endorsement. When the Exception applies, the exclusion of terrorism does not apply to direct loss or damage by fire to Covered Property, with respect to affected types of insurance in affected states.

See the definition of terrorism for purposes of the terrorism exclusion.

NOTICE TO POLICYHOLDERS

NOTICE OF TERRORISM INSURANCE COVERAGE

This Notice does not form a part of your insurance contract. This Notice is designed to alert you to coverage restrictions and to other provisions in the terrorism endorsement of this policy. If there is any conflict between this Notice and the policy (including its endorsements), the provisions of the policy (including its endorsements) apply. Carefully read your policy, including the endorsements attached to your policy.

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, we are required to offer you coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury - in concurrence with the Secretary of State, and the Attorney General of the United States - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

THE MERRIMACK/CAMBRIDGE MUTUAL FIRE INSURANCE COMPANY HAS AGREED, AT THIS TIME, TO WAIVE ANY ADDITIONAL PREMIUM FOR THIS OFFER OF COVERAGE. Should we decide to make a premium charge for this coverage at any renewal of this policy, you will be given the opportunity to reject this coverage.

In Illinois, Maine, Massachusetts, New Jersey, New York and Rhode Island, a terrorism exclusion makes an exception for (and thereby provides coverage for) fire losses resulting from an act of terrorism. Therefore, if you reject the offer of terrorism coverage, that rejection does not apply to fire losses resulting from an act of terrorism - coverage for such fire losses will be provided in your policy (if this is a renewal policy, coverage for such fire losses will continue to be provided in your policy).

You may choose to reject the offer by signing the REJECTION STATEMENT shown on the reverse side of this notice and returning it to us or your agent, and your policy will be written to exclude the described coverage. Please understand that since we are not making a premium charge for this coverage, there will be no return premium should you elect to reject this offer.

Nothing in this notice should be construed as an offer to reinstate coverage for a cancelled/expired policy. As always, should you have any questions concerning your policy, please contact your independent agent.

REJECTION OF TERRORISM INSURANCE COVERAGE

I hereby reject coverage for certified acts of terrorism. I understand that I will have no coverage for losses resulting from certified acts of terrorism.

Policyholder/Applicant's Signature

Insurance Company

Print Name

Policy Number

Date

**BUSINESSOWNERS
7BP012 (08/08)**

**WATER EXCLUSION ENDORSEMENT
ADVISORY NOTICE TO POLICYHOLDERS**

This Notice does not form a part of your insurance contract. No coverage is provided by this Notice, nor can it be construed to replace any provisions of your policy (including its endorsements). If there is any conflict between this Notice and the policy (including its endorsements), **the provisions of the policy (including its endorsements) shall prevail.**

Carefully read your policy, including the endorsements attached to your policy.

This Notice provides information concerning the following new endorsement, which applies to your new or renewal policy being issued by us:

Water Exclusion Endorsement 970159 (08/08)

This endorsement replaces the current water exclusion in your policy with a revised exclusion. The revised exclusion contains language reinforcing the scope of the water exclusion, and explicitly states that such exclusion applies regardless of whether the water damage is caused by an act of nature or is otherwise caused. Specific mention is made of various boundary or containment systems such as dams and levees to further highlight this point. Further, express references to tsunamis, storm surge and waterborne material are also added to the exclusion.

The exclusion in this endorsement applies to all coverages in the **Businessowners Property Coverage Form** provided by your Businessowners insurance, including (if any) property damage and business income coverages, unless stated otherwise in your policy.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WATER EXCLUSION ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS COVERAGE FORM

A. The exclusion for **water** in Paragraph **B**, subparagraph **g.** of the **Businessowners Property Coverage Form** is replaced by the following.

g. Water

1. Flood, surface water, waves (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
2. Mudslide or mudflow;
3. Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
4. Water under the ground surface pressing on, or flowing or seeping through:
 - a. Foundations, walls, floors or paved surfaces;

b. Basements, whether paved or not; or

c. Doors, windows or other openings; or

5. Waterborne material carried or otherwise moved by any of the water referred to in Paragraph **1.**, **3.** or **4.**, or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in Paragraphs **1.** through **5.**, is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if any of the above, in Paragraphs **1.** through **5.**, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

**BUSINESSOWNERS
970604 (01/07)**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**NEW YORK - EXCLUSION OF LOSS
DUE TO VIRUS OR BACTERIA**

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM

- A.** The exclusion set forth in Paragraph **B.** applies to all coverage in all forms and endorsements that comprise this Businessowners Policy, except as provided in Paragraph **C.** This includes but is not limited to forms or endorsements that cover property damage to buildings or personal property and forms or endorsements that cover business income, extra expense or action of civil authority.
- B.** We will not pay for loss or damage caused by or resulting from any virus, bacterium or other micro-organism that induces or is capable of inducing physical distress, illness or disease.
- C.** However, the exclusion in Paragraph **B.** does not apply to the following:
 - Loss or damage caused by or resulting from fungus. Such loss or damage is addressed in a separate exclusion in this Businessowners Policy.
- D.** With respect to any loss or damage subject to the exclusion in Paragraph **B.**, such exclusion supersedes any exclusion relating to "pollutants".
- E.** The terms of the exclusion in Paragraph **B.**, or the inapplicability of this exclusion to a particular loss, do not serve to create coverage for any loss that would otherwise be excluded under this Businessowners Policy.

BUSINESSOWNERS
BP 00 02 12 99

BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section **H** – Property Definitions.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this policy, means the type of property as described in this section, **A.1.**, and limited in **A.2.**, Property Not Covered, if a Limit of Insurance is shown in the Declarations for that type of property.

a. Buildings, meaning the buildings and structures at the premises described in the Declarations, including:

- (1)** Completed additions;
- (2)** Fixtures, including outdoor fixtures;
- (3)** Permanently installed:
 - (a)** Machinery; and
 - (b)** Equipment;
- (4)** Your personal property in apartments or rooms furnished by you as landlord;
- (5)** Personal property owned by you that is used to maintain or service the buildings or structures or the premises, including:
 - (a)** Fire extinguishing equipment;
 - (b)** Outdoor furniture;

- (c)** Floor coverings; and
- (d)** Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

(6) If not covered by other insurance:

- (a)** Additions under construction, alterations and repairs to the buildings or structures;
 - (b)** Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.
- b.** Business Personal Property located in or on the buildings at the described premises or in the open (or in a vehicle) within 100 feet of the described premises, including:
- (1)** Property you own that is used in your business;
 - (2)** Property of others that is in your care, custody or control, except as otherwise provided in Loss Payment Property Loss Condition **E.6.d.(3)(b)**;
 - (3)** Tenant's improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
 - (a)** Made a part of the building or structure you occupy but do not own; and
 - (b)** You acquired or made at your expense but cannot legally remove; and
 - (4)** Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Paragraph **A.1.b.(2)**.

2. Property Not Covered

Covered Property does not include:

- a.** Aircraft, automobiles, motortrucks and other vehicles subject to motor vehicle registration;
- b.** "Money" or "securities" except as provided in the:
 - (1)** Money and Securities Optional Coverage; or
 - (2)** Employee Dishonesty Optional Coverage;
- c.** Contraband, or property in the course of illegal transportation or trade;
- d.** Land (including land on which the property is located), water, growing crops or lawns;
- e.** Outdoor fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided in the:
 - (1)** Outdoor Property Coverage Extension; or
 - (2)** Outdoor Signs Optional Coverage;
- f.** Watercraft (including motors, equipment and accessories) while afloat.

3. Covered Causes Of Loss

Risks Of Direct Physical Loss unless the loss is:

- a.** Excluded in Section **B.**, Exclusions; or
- b.** Limited in Paragraph **A.4.**, Limitations; that follow.

4. Limitations

- a.** We will not pay for loss of or damage to:
 - (1)** Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

- (2)** Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.

- (3)** Property that is missing, but there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory. This limitation does not apply to the Optional Coverage for Money and Securities.

- (4)** Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

- b.** With respect to glass (other than glass building blocks) that is part of the interior of a building or structure, or part of an outdoor sign, we will not pay more than \$500 for the total of all loss or damage in any one occurrence. Subject to the \$500 limit on all loss or damage, we will not pay more than \$100 for each plate, pane, multiple plate insulating unit, radiant or solar heating panel, jalousie, louver or shutter.

This Limitation does not apply to loss or damage by the "specified causes of loss", except vandalism.

- c.** We will not pay for loss of or damage to fragile articles such as glassware, statuary, marbles, chinaware and porcelains, if broken, unless caused by the "specified causes of loss" or building glass breakage. This restriction does not apply to:

- (1)** Glass that is part of the interior of a building or structure;
- (2)** Containers of property held for sale; or
- (3)** Photographic or scientific instrument lenses.

- d.** For loss or damage by theft, the following types of property are covered only up to the limits shown:

- (1)** \$2,500 for furs, fur garments and garments trimmed with fur.

- (2) \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
- (3) \$2,500 for patterns, dies, molds and forms.

5. Additional Coverages

a. Debris Removal

- (1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:
 - (a) The date of direct physical loss or damage; or
 - (b) The end of the policy period.
- (2) The most we will pay under this Additional Coverage is 25% of:
 - (a) The amount we pay for the direct physical loss of or damage to Covered Property; plus
 - (b) The deductible in this policy applicable to that loss or damage.

But this limitation does not apply to any additional debris removal limit provided in Paragraph (4) below.
- (3) This Additional Coverage does not apply to costs to:
 - (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore or replace polluted land or water.
- (4) If:
 - (a) The sum of direct physical loss or damage and debris removal expense exceeds the Limit of Insurance; or
 - (b) The debris removal expense exceeds the amount payable under the 25% Debris Removal Coverage limitation in Paragraph (2) above;

we will pay up to an additional \$10,000 for each location in any one occurrence under the Debris Removal Additional Coverage.

b. Preservation Of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$1,000 for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

d. Collapse

- (1) We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building insured under this policy, if the collapse is caused by one or more of the following:
 - (a) The "specified cause of loss" or breakage of building glass, all only as insured against in this policy;
 - (b) Hidden decay;
 - (c) Hidden insect or vermin damage;
 - (d) Weight of people or personal property;
 - (e) Weight of rain that collects on a roof;
 - (f) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in **d.(1)(a) through d.(1)(e)**, we will pay for the loss or damage even if use of defective material or methods in construction, remodeling or renovation, contributes to the collapse.

(2) If the direct physical loss or damage does not involve collapse of a building or any part of a building, we will pay for loss or damage to Covered Property caused by the collapse of personal property only if:

- (a) The personal property which collapses is inside a building insured under this policy; and
- (b) The collapse was caused by a cause of loss listed in **d.(1)(a)** through **d.(1)(f)** above.

(3) With respect to the following property:

- (a) Awnings;
- (b) Gutters and downspouts;
- (c) Yard fixtures;
- (d) Outdoor swimming pools;
- (e) Piers, wharves and docks;
- (f) Beach or diving platforms or appurtenances;
- (g) Retaining walls; and
- (h) Walks, roadways and other paved surfaces;

if the collapse is caused by a cause of loss listed in **d.(1)(b)** through **d.(1)(f)**, we will pay for loss or damage to that property only if such loss or damage is a direct result of the collapse of a building insured under this policy and the property is Covered Property under this policy.

(4) Collapse does not include settling, cracking, shrinkage, bulging or expansion.

e. Water Damage, Other Liquids, Powder Or Molten Material Damage

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes.

We will not pay the cost to repair any defect that caused the loss or damage; but we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- (1) Results in discharge of any substance from an automatic fire protection system; or
- (2) Is directly caused by freezing.

f. Business Income

(1) Business Income

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration". The suspension must be caused by direct physical loss of or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

- (a) The portion of the building which you rent, lease or occupy; and
- (b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

We will only pay for loss of Business Income that you sustain during the "period of restoration" and that occurs within 12 consecutive months after the date of direct physical loss or damage. We will only pay for ordinary payroll expenses for 60 days following the date of direct physical loss or damage.

Business Income means the:

- (i) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses; and
- (ii) Continuing normal operating expenses incurred, including payroll.

Ordinary payroll expenses mean payroll expenses for all your employees except:

- (a) Officers;
- (b) Executives;
- (c) Department Managers;
- (d) Employees under contract; and
- (e) Additional Exemptions shown in the Declarations as:
 - (i) Job Classifications; or
 - (ii) Employees.

Ordinary payroll expenses include:

- (a) Payroll;
- (b) Employee benefits, if directly related to payroll;
- (c) FICA payments you pay;
- (d) Union dues you pay; and
- (e) Workers' compensation premiums.

(2) Extended Business Income

If the necessary suspension of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (a) Begins on the date property except finished stock is actually repaired, rebuilt or replaced and "operations" are resumed; and
- (b) Ends on the earlier of:
 - (i) The date you could restore your "operations", with reasonable speed, to the level which would generate the Business Income amount that would have existed if no direct physical loss or damage had occurred; or
 - (ii) 30 consecutive days after the date determined in **(2)(a)** above.

However, Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

This Additional Coverage is not subject to the Limits of Insurance.

g. Extra Expense

- (1) We will pay necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

- (a) The portion of the building which you rent, lease or occupy; and
- (b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

- (2) Extra Expense means expense incurred:

- (a) To avoid or minimize the suspension of business and to continue "operations":
 - (i) At the described premises; or
 - (ii) At replacement premises or at temporary locations, including relocation expenses, and costs to equip and operate the replacement or temporary locations.
- (b) To minimize the suspension of business if you cannot continue "operations".

(c) To:

- (i)** Repair or replace any property; or
- (ii)** Research, replace or restore the lost information on damaged "valuable papers and records":

to the extent it reduces the amount of loss that otherwise would have been payable under this Additional Coverage or Additional Coverage **f.** Business Income.

We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or damage. This Additional Coverage is not subject to the Limits of Insurance.

h. Pollutant Clean Up And Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

- (1)** The date of direct physical loss or damage; or
- (2)** The end of the policy period.

The most we will pay for each location under this Additional Coverage is \$10,000 for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy.

i. Civil Authority

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin 72 hours after the time of that action and will apply for a period of up to three consecutive weeks after coverage begins.

The coverage for necessary Extra Expense will begin immediately after the time of that action and ends:

- (1)** 3 consecutive weeks after the time of that action; or
- (2)** When your Business Income coverage ends;

whichever is later.

The definitions of Business Income and Extra Expense contained in the Business Income and Extra Expense Additional Coverages also apply to this Civil Authority Additional Coverage. The Civil Authority Additional Coverage is not subject to the Limits of Insurance.

j. Money Orders And Counterfeit Paper Currency

We will pay for loss due to the good faith acceptance of:

- (1)** Any U.S. or Canadian post office, express company, or national or state (or Canadian) chartered bank money order that is not paid upon presentation to the issuer; or
- (2)** Counterfeit United States or Canadian paper currency;

in exchange for merchandise, "money" or services or as part of a normal business transaction.

The most we will pay for any loss under this Additional Coverage is \$1,000.

k. Forgery And Alteration

- (1)** We will pay for loss resulting directly from forgery or alteration of, any check, draft, promissory note, bill of exchange or similar written promise of payment in "money", that you or your agent has issued, or that was issued by someone who impersonates you or your agent.
- (2)** If you are sued for refusing to pay the check, draft, promissory note, bill of exchange or similar written promise of payment in "money", on the basis that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur in that defense.
- (3)** The most we will pay for any loss, including legal expenses, under this Additional Coverage is \$2,500.

l. Increased Cost Of Construction

- (1)** This Additional Coverage applies only to buildings insured on a replacement cost basis.

- (2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, we will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property, subject to the limitations stated in **I.(3)** through **I.(9)** of this Additional Coverage.
- (3) The ordinance or law referred to in **I.(2)** of this Additional Coverage is an ordinance or law that regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises, and is in force at the time of loss.
- (4) Under this Additional Coverage, we will not pay any costs due to an ordinance or law that:
 - (a) You were required to comply with before the loss, even when the building was undamaged; and
 - (b) You failed to comply with.
- (5) Under this Additional Coverage, we will not pay any costs associated with the enforcement of an ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".
- (6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is \$5,000.
The amount payable under this Additional Coverage is additional insurance.
- (7) With respect to this Additional Coverage:
 - (a) We will not pay for the Increased Cost of Construction:
 - (i) Until the property is actually repaired or replaced, at the same or another premises; and
 - (ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

- (b) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the Increased Cost of Construction is the increased cost of construction at the same premises.
- (c) If the ordinance or law requires relocation to another premises, the most we will pay for the Increased Cost of Construction is the increased cost of construction at the new premises.
- (8) This Additional Coverage is not subject to the terms of the Ordinance or Law Exclusion, to the extent that such Exclusion would conflict with the provisions of this Additional Coverage.
- (9) The costs addressed in the Loss Payment Property Loss Condition in this Coverage Form do not include the increased cost attributable to enforcement of an ordinance or law. The amount payable under this Additional Coverage, as stated in **I.(6)** of this Additional Coverage, is not subject to such limitation.

m. Exterior Building Glass

- (1) We will pay for direct physical loss of or damage to glass, including lettering or ornamentation, that is part of the exterior of a covered building or structure at the described premises. The glass must be owned by you, or owned by others but in your care, custody or control. We will also pay for necessary:
 - (a) Expenses incurred to put up temporary plates or board up openings;
 - (b) Repair or replacement of encasing frames; and
 - (c) Expenses incurred to remove or replace obstructions.
- (2) Paragraph **A.3., Covered Causes Of Loss** and Section **B., Exclusions** do not apply to this Additional Coverage, except for:
 - (a) Paragraph **B.1.b., Earth Movement**;
 - (b) Paragraph **B.1.c., Governmental Action**;
 - (c) Paragraph **B.1.d., Nuclear Hazard**;
 - (d) Paragraph **B.1.f., War And Military Action**; and
 - (e) Paragraph **B.1.g., Water**.

(3) We will not pay for loss or damage caused by or resulting from:

- (a) Wear and tear;
- (b) Hidden or latent defect;
- (c) Corrosion; or
- (d) Rust.

(4) The most we pay under this Additional Coverage is the Building Limit of Insurance shown in the Declarations.

However, if you are a tenant and no Limit of Insurance is shown in the Declarations for Building property, the most we will pay under this Additional Coverage is the Tenant's Exterior Building Glass Limit of Insurance shown in the Declarations.

6. Coverage Extensions

In addition to the Limits of Insurance, you may extend the insurance provided by this policy as provided below.

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises, unless a higher Limit of Insurance is shown in the Declarations.

a. Personal Property At Newly Acquired Premises

(1) You may extend the insurance that applies to Business Personal Property to apply to that property at any premises you acquire.

The most we will pay for loss or damage under this Extension is \$100,000 at each premises.

(2) Insurance under this Extension for each newly acquired premises will end when any of the following first occurs:

- (a) This policy expires;
- (b) 30 days expire after you acquire or begin construction at the new premises; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the premises.

b. Personal Property Off Premises

You may extend the insurance that applies to Business Personal Property to apply to covered Business Personal Property, other than "money" and "securities", "valuable papers and records" or accounts receivable, while it is in the course of transit or temporarily at a premises you do not own, lease or operate. The most we will pay for loss or damage under this Extension is \$5,000.

c. Outdoor Property

You may extend the insurance provided by this policy to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants, including debris removal expense, caused by or resulting from any of the following causes of loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or
- (5) Aircraft.

The most we will pay for loss or damage under this Extension is \$2,500, but not more than \$500 for any one tree, shrub or plant.

d. Personal Effects

You may extend the insurance that applies to Business Personal Property to apply to personal effects owned by you, your officers, your partners or your employees. This extension does not apply to:

- (1) Tools or equipment used in your business; or
- (2) Loss or damage by theft.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises.

e. "Valuable Papers And Records"

(1) You may extend the insurance that applies to Business Personal Property to apply to direct physical loss or damage to "valuable papers and records" that you own, or that are in your care, custody or control caused by or resulting from a Covered Cause of Loss. This Coverage Extension includes the cost to research lost information on "valuable papers and records" for which duplicates do not exist.

(2) This Coverage Extension does not apply to:

- (a) Property held as samples or for delivery after sale;
- (b) Property in storage away from the premises shown in the Declarations.

(3) The most we will pay under this Coverage Extension for loss or damage to "valuable papers and records" in any one occurrence at the described premises is \$5,000, unless a higher Limit of Insurance for "valuable papers and records" is shown in the Declarations.

For "valuable papers and records" not at the described premises, the most we will pay is \$2,500.

(4) Section **B. Exclusions** of this Coverage Form does not apply to this Coverage Extension except for:

- (a) Paragraph **B.1.c.**, Governmental Action;
- (b) Paragraph **B.1.d.**, Nuclear Hazard;
- (c) Paragraph **B.1.f.**, War And Military Action;
- (d) Paragraph **B.2.f.**, Dishonesty;
- (e) Paragraph **B.2.g.**, False Pretense;
- (f) Paragraph **B.3.**; and
- (g) The Accounts Receivable and "Valuable Papers And Records" Exclusions.

f. Accounts Receivable

(1) You may extend the insurance that applies to Business Personal Property to apply to accounts receivable. We will pay:

- (a) All amounts due from your customers that you are unable to collect;
- (b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
- (c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and
- (d) Other reasonable expenses that you incur to re-establish your records of accounts receivable;

that result from direct physical loss or damage by any Covered Cause of Loss to your records of accounts receivable.

(2) The most we will pay under this Coverage Extension for loss or damage in any one occurrence at the described premises is \$5,000, unless a higher Limit of Insurance for accounts receivable is shown in the Declarations.

For accounts receivable not at the described premises, the most we will pay is \$2,500.

(3) Section **B. Exclusions** of this Coverage Form does not apply to this Coverage Extension except for:

- (a) Paragraph **B.1.c.**, Governmental Action;
- (b) Paragraph **B.1.d.**, Nuclear Hazard;
- (c) Paragraph **B.1.f.**, War And Military Action;
- (d) Paragraph **B.2.f.**, Dishonesty;
- (e) Paragraph **B.2.g.**, False Pretense;
- (f) Paragraph **B.3.**; and
- (g) The Accounts Receivable and "Valuable Papers And Records" Exclusions.

B. Exclusions

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Ordinance Or Law

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance Or Law, applies whether the loss results from:

- (1) An ordinance or law that is enforced even if the property has not been damaged; or
- (2) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property or removal of its debris, following a physical loss to that property.

b. Earth Movement

(1) Any earth movement (other than sink-hole collapse), such as an earthquake, landslide, mine subsidence or earth sinking, rising or shifting. But if earth movement results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

(2) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or volcanic action, we will pay for the loss or damage caused by that fire, building glass breakage or volcanic action.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust, or particulate matter; or
- (c) Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss of or damage to Covered Property.

c. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

e. Power Failure

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

f. War And Military Action

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

g. Water

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows from a sewer, drain or sump; or
- (4) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings.

But if Water, as described in **B.1.g.(1)** through **B.1.g.(4)**, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

2. We will not pay for loss or damage caused by or resulting from any of the following:

a. Electrical Apparatus

Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by fire.

b. Consequential Losses

Delay, loss of use or loss of market.

c. Smoke, Vapor, Gas

Smoke, vapor or gas from agricultural smudging or industrial operations.

d. Steam Apparatus

Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

e. Frozen Plumbing

Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

- (1) You do your best to maintain heat in the building or structure; or
- (2) You drain the equipment and shut off the supply if the heat is not maintained.

f. Dishonesty

Dishonest or criminal acts by you, anyone else with an interest in the property, or any of your or their partners, employees, directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:

- (1) Acting alone or in collusion with others;
- (2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.

With respect to accounts receivable and "valuable papers and records", this exclusion does not apply to carriers for hire.

g. False Pretense

Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

h. Exposed Property

Rain, snow, ice or sleet to personal property in the open.

i. Collapse

Collapse, except as provided in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

j. Pollution

We will not pay for loss or damage caused by or resulting from the discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

k. Other Types Of Loss

- (1) Wear and tear;
- (2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
- (3) Smog;
- (4) Settling, cracking, shrinking or expansion;
- (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;

- (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force; or
- (7) The following causes of loss to personal property:
 - (a) Dampness or dryness of atmosphere;
 - (b) Changes in or extremes of temperature; or
 - (c) Marring or scratching.

But if an excluded cause of loss that is listed in **B.2.k(1)** through **B.2.k(7)** results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

- 3. We will not pay for loss or damage caused by or resulting from any of the following **B.3.a** through **B.3.c**. But if an excluded cause of loss that is listed in **B.3.a** through **B.3.c** results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

a. Weather Conditions

Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph **1.** above to produce the loss or damage.

b. Acts Or Decisions

Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

c. Negligent Work

Faulty, inadequate or defective:

- (1) Planning, zoning, development, surveying, siting;
- (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3) Materials used in repair, construction, renovation or remodeling; or
- (4) Maintenance;
of part or all of any property on or off the described premises.

4. Business Income And Extra Expense Exclusions

We will not pay for:

- a. Any Extra Expense, or increase of Business Income loss, caused by or resulting from:
 - (1) Delay in rebuilding, repairing or replacing the property or resuming "operations", due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or
 - (2) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations", we will cover such loss that affects your Business Income during the "period of restoration".
- b. Any other consequential loss.

5. Accounts Receivable And "Valuable Papers And Records" Exclusions

The following additional exclusions apply to the Accounts Receivable and "Valuable Papers And Records" Coverage Extensions:

- a. We will not pay for loss or damage caused by or resulting from electrical or magnetic injury, disturbance or erasure of electronic recordings that is caused by or results from:
 - (a) Programming errors or faulty machine instructions;
 - (b) Faulty installation or maintenance of data processing equipment or component parts;

But we will pay for direct loss or damage caused by lightning.

- b. Applicable to "Valuable Papers and Records" only:

We will not pay for loss or damage caused by or resulting from any of the following:

- (1) Errors or omissions in processing or copying. But if errors or omissions in processing or copying results in fire or explosion, we will pay for the direct loss or damage caused by the fire or explosion.
- (2) Wear and tear, gradual deterioration or latent defect.

c. Applicable to Accounts Receivable only:

We will not pay for:

- (1) Loss or damage caused by or resulting from alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of "money", "securities" or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding.

- (2) Loss or damage caused by or resulting from bookkeeping, accounting or billing errors or omissions.
- (3) Any loss or damage that requires any audit of records or any inventory computation to prove its factual existence.

C. Limits Of Insurance

1. The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.
2. The most we will pay for loss of or damage to outdoor signs attached to buildings is \$1,000 per sign in any one occurrence.
3. The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.

4. Building Limit – Automatic Increase

- a. The Limit of Insurance for Buildings will automatically increase by the annual percentage shown in the Declarations.
- b. The amount of increase will be:
 - (1) The Building limit that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Building limit, times
 - (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times

- (3) The number of days since the beginning of the current policy year of the effective date of the most recent policy change amending the Building limit, divided by 365.

Example:

If: The applicable Building limit is \$100,000. The annual percentage increase is 8%. The number of days since the beginning of the policy year (or last policy change) is 146.

The amount of increase is
 $\$100,000 \times .08 \times 146 \div 365 = \$3,200.$

5. Business Personal Property Limit – Seasonal Increase

- a. The Limit of Insurance for Business Personal Property will automatically increase by 25% to provide for seasonal variations.
- b. This increase will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least 100% of your average monthly values during the lesser of:
 - (1) The 12 months immediately preceding the date the loss or damage occurs; or
 - (2) The period of time you have been in business as of the date the loss or damage occurs.

D. Deductibles

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.
2. Regardless of the amount of the Deductible, the most we will deduct from any loss or damage under all of the following Optional Coverages and the Additional Coverage – Exterior Building Glass in any one occurrence is the Optional Coverage/Exterior Building Glass Deductible shown in the Declarations:
 - a. Money and Securities;
 - b. Employee Dishonesty;

- c. Interior Glass; and
- d. Outdoor Signs.

But this Optional Coverage/Exterior Building Glass Deductible will not increase the Deductible shown in the Declarations. This Deductible will be used to satisfy the requirements of the Deductible in the Declarations.

3. No deductible applies to the following Additional Coverages:
 - a. Fire Department Service Charge;
 - b. Business Income;
 - c. Extra Expense; and
 - d. Civil Authority.

E. Property Loss Conditions

1. Abandonment

There can be no abandonment of any property to us.

2. Appraisal

If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

- a. You must see that the following are done in the event of loss or damage to Covered Property:
 - (1) Notify the police if a law may have been broken.
 - (2) Give us prompt notice of the loss or damage. Include a description of the property involved.

- (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.

- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.

- (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

- (6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (7) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

- (8) Cooperate with us in the investigation or settlement of the claim.

- (9) Resume all or part of your "operations" as quickly as possible.

- b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

4. Legal Action Against Us

No one may bring a legal action against us under this insurance unless:

- a.** There has been full compliance with all of the terms of this insurance; and
- b.** The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

5. Limitation – Electronic Media And Records

We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

- a.** 60 consecutive days from the date of direct physical loss or damage; or
- b.** The period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace with reasonable speed and similar quality, other property at the described premises due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

- (1)** Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;
- (2)** Data stored on such media; or
- (3)** Programming records used for electronic data processing or electronically controlled equipment.

Example No. 1:

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the damage occurred. We will only pay for the Business Income loss sustained during the period June 1 – September 1. Loss during the period September 2 – October 1 is not covered.

Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1. The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1 – September 29 (60 consecutive days). Loss during the period September 30 – October 15 is not covered.

6. Loss Payment

In the event of loss or damage covered by this policy:

a. At our option, we will either:

- (1)** Pay the value of lost or damaged property;
- (2)** Pay the cost of repairing or replacing the lost or damaged property;
- (3)** Take all or any part of the property at an agreed or appraised value; or
- (4)** Repair, rebuild or replace the property with other property of like kind and quality, subject to **d.(1)(e)** below.

b. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.

c. We will not pay you more than your financial interest in the Covered Property.

d. Except as provided in **(2)** through **(8)** below, we will determine the value of Covered Property as follows:

(1) At replacement cost without deduction for depreciation, subject to the following:

(a) If, at the time of loss, the Limit of Insurance on the lost or damaged property is 80% or more of the full replacement cost of the property immediately before the loss, we will pay the cost to repair or replace, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:

(i) The Limit of Insurance under this policy that applies to the lost or damaged property;

(ii) The cost to replace, on the same premises, the lost or damaged property with other property:

i. Of comparable material and quality; and

ii. Used for the same purpose; or

(iii) The amount that you actually spend that is necessary to repair or replace the lost or damaged property.

- (b)** If, at the time of loss, the Limit of Insurance applicable to the lost or damaged property is less than 80% of the full replacement cost of the property immediately before the loss, we will pay the greater of the following amounts, but not more than the Limit of Insurance that applies to the property:
 - (i)** The actual cash value of the lost or damaged property; or
 - (ii)** A proportion of the cost to repair or replace the lost or damaged property, after application of the deductible and without deduction for depreciation. This proportion will equal the ratio of the applicable Limit of Insurance to 80% of the cost of repair or replacement.
- (c)** You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim on a replacement cost basis if you notify us of your intent to do so within 180 days after the loss or damage.
- (d)** We will not pay on a replacement cost basis for any loss or damage:
 - (i)** Until the lost or damaged property is actually repaired or replaced; and
 - (ii)** Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.
- (e)** The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.
- (2)** If the "Actual Cash Value – Buildings" option applies, as shown in the Declarations, Paragraph **(1)** above does not apply to Buildings. Instead, we will determine the value of Buildings at actual cash value.
- (3)** The following property at actual cash value:
 - (a)** Used or second-hand merchandise held in storage or for sale;
 - (b)** Property of others, but this property is not covered for more than the amount for which you are liable, plus the cost of labor, materials or services furnished or arranged by you on personal property of others;
 - (c)** Household contents, except personal property in apartments or rooms furnished by you as landlord;
 - (d)** Manuscripts;
 - (e)** Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac.
- (4)** Glass at the cost of replacement with safety glazing material if required by law.
- (5)** Tenants' Improvements and Betterments at:
 - (a)** Replacement cost if you make repairs promptly.
 - (b)** A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
 - (i)** Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (ii)** Divide the amount determined in **(i)** above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
 - (c)** Nothing if others pay for repairs or replacement.

(6) "Valuable papers and records", including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:

- (a)** Blank materials for reproducing the records; and
- (b)** Labor to transcribe or copy the records.

This condition does not apply to "valuable papers and records" that are actually replaced or restored.

(7) Applicable only to the Optional Coverages:

- (a)** "Money" at its face value; and
- (b)** "Securities" at their value at the close of business on the day the loss is discovered.

(8) Applicable only to Accounts Receivable:

- (a)** If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss or damage:
 - (i)** We will determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss or damage occurs; and
 - (ii)** We will adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.
- (b)** The following will be deducted from the total amount of accounts receivable, however that amount is established:
 - (i)** The amount of the accounts for which there is no loss or damage;
 - (ii)** The amount of the accounts that you are able to re-establish or collect;

(iii) An amount to allow for probable bad debts that you are normally unable to collect; and

(iv) All unearned interest and service charges.

e. Our payment for loss of or damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.

f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, provided you have complied with all of the terms of this policy, and

(1) We have reached agreement with you on the amount of loss; or

(2) An appraisal award has been made.

7. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, you may retain the property. But then you must return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

8. Resumption Of Operations

We will reduce the amount of your:

- a.** Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- b.** Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

9. Vacancy**a. Description Of Terms**

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in **(1)(a)** and **(1)(b)** below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner of a building, building means the entire building. Such building is vacant when 70% or more of its total square footage:

(i) Is not rented; or

(ii) Is not used to conduct customary operations.

(2) Buildings under construction or renovation are not considered vacant.

b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

(1) We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:

(a) Vandalism;

(b) Sprinkler leakage, unless you have protected the system against freezing;

(c) Building glass breakage;

(d) Water damage;

(e) Theft; or

(f) Attempted theft.

(2) With respect to Covered Causes of Loss other than those listed in **b.(1)(a)** through **b.(1)(f)** above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

F. Property General Conditions**1. Control Of Property**

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Form at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

2. Mortgageholders

a. The term "mortgageholder" includes trustee.

b. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.

c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgageholder will still have the right to receive loss payment if the mortgageholder:

(1) Pays any premium due under this policy at our request if you have failed to do so;

(2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and

(3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this policy will then apply directly to the mortgageholder.

e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

(1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

- (2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgageholder at least:
- (1) 10 days before the effective date of cancellation if we cancel for your non-payment of premium; or
 - (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

3. No Benefit To Bailee

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

4. Policy Period, Coverage Territory

Under this form:

- a. We cover loss or damage commencing:
- (1) During the policy period shown in the Declarations; and
 - (2) Within the coverage territory or, with respect to property in transit, while it is between points in the coverage territory.
- b. The coverage territory is:
- (1) The United States of America (including its territories and possessions);
 - (2) Puerto Rico; and
 - (3) Canada.

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages also apply. These coverages are subject to the terms and conditions applicable to property coverage in this policy, except as provided below.

1. Outdoor Signs

- a. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:
- (1) Owned by you; or
 - (2) Owned by others but in your care, custody or control.
- b. Paragraph **A.3., Covered Causes Of Loss**, and Section **B., Exclusions**, do not apply to this Optional Coverage, except for:
- (1) Paragraph **B.1.c.**, Governmental Action;
 - (2) Paragraph **B.1.d.**, Nuclear Hazard; and
 - (3) Paragraph **B.1.f.**, War And Military Action.
- c. We will not pay for loss or damage caused by or resulting from:
- (1) Wear and tear;
 - (2) Hidden or latent defect;
 - (3) Rust;
 - (4) Corrosion; or
 - (5) Mechanical breakdown.
- d. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Outdoor Signs shown in the Declarations.
- e. The provisions of this Optional Coverage supersede all other references to outdoor signs in this policy.

2. Interior Glass

- a. We will pay for direct physical loss of or damage to items of glass that are permanently affixed to the interior walls, floors or ceilings of a covered building or structure at the described premises, provided each item is:
- (1) Described in the Declarations as covered under this Optional Coverage; and
 - (2) Located in the basement or ground floor level of the building or structure, unless the Declarations show that this Optional Coverage is applicable to interior glass at all floors; and
 - (3) Owned by you, or owned by others but in your care, custody or control.

- b.** We will also pay for necessary:
 - (1)** Expenses incurred to put up temporary plates or board up openings;
 - (2)** Repair or replacement of encasing frames; and
 - (3)** Expenses incurred to remove or replace obstructions.
- c.** Paragraph **A.3., Covered Causes Of Loss**, and Section **B., Exclusions**, do not apply to this Optional Coverage, except for:
 - (1)** Paragraph **B.1.c.**, Governmental Action;
 - (2)** Paragraph **B.1.d.**, Nuclear Hazard; and
 - (3)** Paragraph **B.1.f.**, War And Military Action.
- d.** We will not pay for loss or damage caused by or resulting from:
 - (1)** Wear and tear;
 - (2)** Hidden or latent defect;
 - (3)** Corrosion; or
 - (4)** Rust.
- e.** This Optional Coverage supersedes all limitations in this policy that apply to interior glass.

3. Money And Securities

- a.** We will pay for loss of "money" and "securities" used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:
 - (1)** Theft, meaning any act of stealing;
 - (2)** Disappearance; or
 - (3)** Destruction.
- b.** In addition to the Limitations and Exclusions applicable to property coverage, we will not pay for loss:
 - (1)** Resulting from accounting or arithmetical errors or omissions;
 - (2)** Due to the giving or surrendering of property in any exchange or purchase; or

- (3)** Of property contained in any "money"-operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.
- c.** The most we will pay for loss in any one occurrence is:
 - (1)** The limit shown in the Declarations for Inside the Premises for "money" and "securities" while:
 - (a)** In or on the described premises; or
 - (b)** Within a bank or savings institution; and
 - (2)** The limit shown in the Declarations for Outside the Premises for "money" and "securities" while anywhere else.
- d.** All loss:
 - (1)** Caused by one or more persons; or
 - (2)** Involving a single act or series of related acts;
 is considered one occurrence.
- e.** You must keep records of all "money" and "securities" so we can verify the amount of any loss or damage.

4. Employee Dishonesty

- a.** We will pay for direct loss of or damage to Business Personal Property and "money" and "securities" resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:
 - (1)** Cause you to sustain loss or damage; and also
 - (2)** Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
 - (a)** Any employee; or
 - (b)** Any other person or organization.
- b.** We will not pay for loss or damage:
 - (1)** Resulting from any dishonest or criminal act that you or any of your partners commit whether acting alone or in collusion with other persons.

- (2) The only proof of which as to its existence or amount is:
 - (a) An inventory computation; or
 - (b) A profit and loss computation.
- c. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations.
- d. All loss or damage:
 - (1) Caused by one or more persons; or
 - (2) Involving a single act or series of related acts;
 is considered one occurrence.
- e. We will pay only for loss or damage you sustain through acts committed or events occurring during the Policy Period. Regardless of the number of years this policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.
- f. This Optional Coverage does not apply to any employee immediately upon discovery by:
 - (1) You; or
 - (2) Any of your partners, officers or directors not in collusion with the employee; of any dishonest act committed by that employee before or after being hired by you.
- g. We will pay only for covered loss or damage discovered no later than one year from the end of the Policy Period.
- h. If you (or any predecessor in interest) sustained loss or damage during the period of any prior insurance that you could have recovered under that insurance except that the time within which to discover loss or damage had expired, we will pay for it under this Optional Coverage, provided:
 - (1) This Optional Coverage became effective at the time of cancellation or termination of the prior insurance; and
 - (2) The loss or damage would have been covered by this Optional Coverage had it been in effect when the acts or events causing the loss or damage were committed or occurred.

- i. The insurance under Paragraph **h.** above is part of, not in addition to, the Limit of Insurance applying to this Optional Coverage and is limited to the lesser of the amount recoverable under:
 - (1) This Optional Coverage as of its effective date; or
 - (2) The prior insurance had it remained in effect.

5. Mechanical Breakdown

- a. We will pay for direct damage to Covered Property caused by an Accident to an Object. The Object must be:
 - (1) Owned by you or in your care, custody or control; and
 - (2) At the described premises.
- b. Accident means a sudden and accidental breakdown of the Object or a part of the Object. At the time the breakdown occurs, it must manifest itself by physical damage to the Object that necessitates repair or replacement.
- c. None of the following is an Accident:
 - (1) Depletion, deterioration, corrosion or erosion;
 - (2) Wear and tear;
 - (3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
 - (4) Breakdown of any vacuum tube, gas tube or brush;
 - (5) Breakdown of any electronic computer or electronic data processing equipment;
 - (6) Breakdown of any structure or foundation supporting the Object or any of its parts;
 - (7) The functioning of any safety or protective device; or
 - (8) The explosion of gases or fuel within the furnace of any Object or within the flues or passages through which the gases of combustion pass.
- d. Object means any of the following equipment:
 - (1) Boiler and Pressure Vessels:
 - (a) Steam heating boilers and condensate return tanks used with them;

- (b) Hot water heating boilers and expansion tanks used with them;
 - (c) Hot water supply boilers;
 - (d) Other fired or unfired vessels used for maintenance or service of the described premises but not used for processing or manufacturing;
 - (e) Steam boiler piping, valves, fittings, traps and separators, but only if they:
 - (i) Are on your premises or between parts of your premises;
 - (ii) Contain steam or condensate of steam; and
 - (iii) Are not part of any other vessel or apparatus;
 - (f) Feed water piping between any steam boiler and a feed pump or injector.
- (2) Air Conditioning Units – Any air conditioning unit that has a capacity of 60,000 Btu or more, including:
- (a) Inductors, convectors and coils that make use of a refrigerant and form part of a cooling, humidity control or space heating system;
 - (b) Interconnecting piping, valves and fittings containing only a refrigerant, water, brine or other solution;
 - (c) Vessels heated directly or indirectly that:
 - (i) Form part of an absorption type system; and
 - (ii) Function as a generator, regenerator or concentrator;
 - (d) Compressors, pumps, fans and blowers used solely with the system together with their driving electric motors; and
 - (e) Control equipment used solely with the system.
- a. Object does not mean:
- (1) As Boiler and Pressure Vessels:
 - (a) Equipment that is not under internal vacuum or internal pressure other than weight of contents;
 - (b) Boiler settings;

- (c) Insulating or refractory material; or
 - (d) Electrical, reciprocating or rotating apparatus within or forming a part of the boiler or vessel.
- (2) As Air Conditioning Units, any:
- (a) Vessel, cooling tower, reservoir or other source of cooling water for a condenser or compressor, or any water piping leading to or from that source; or
 - (b) Wiring or piping leading to or from the unit.

f. We will not pay for an Accident to any Object while being tested.

g. Suspension

Whenever an Object is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an Accident to that Object. This can be done by delivering or mailing a written notice of suspension to:

- (1) Your last known address; or
- (2) The address where the Object is located.

If we suspend your insurance, you will get a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.

H. Property Definitions

1. "Money" means:

- a. Currency, coins and bank notes in current use and having a face value; and
- b. Travelers checks, register checks and money orders held for sale to the public.

2. "Operations" means your business activities occurring at the described premises.

3. "Period of restoration" means the period of time that:

a. Begins:

- (1) 72 hours after the time of direct physical loss or damage for Business Income Coverage; or
- (2) Immediately after the time of direct physical loss or damage for Extra Expense Coverage;

caused by or resulting from any Covered Cause of Loss at the described premises; and

b. Ends on the earlier of:

- (1)** The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- (2)** The date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (1)** Regulates the construction, use or repair, or requires the tearing down of any property; or
- (2)** Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "pollutants".

The expiration date of this policy will not cut short the "period of restoration".

- 4.** "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- 5.** "Securities" means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:
 - a.** Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
 - b.** Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you;
 but does not include "money".
- 6.** "Specified Causes of Loss" means the following:

Fire; lightning; explosion, windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

- (1)** The cost of filling sinkholes; or
- (2)** Sinking or collapse of land into man-made underground cavities.

b. Falling objects does not include loss of or damage to:

- (1)** Personal property in the open; or
- (2)** The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system including its related equipment and parts) containing water or steam.

7. "Valuable papers and records" means inscribed, printed, or written:

- a.** Documents;
- b.** Manuscripts; and
- c.** Records;

including abstracts, books, deeds, drawings, films, maps or mortgages.

But "valuable papers and records" does not mean:

- d.** "Money" or "Securities";
- e.** Converted Data;
- f.** Programs or instructions used in your data processing operations, including the materials on which the data is recorded.